

NFAC 2887-80

21 April 1980

MEMORANDUM FOR: Director of Economic Research

SUBJECT: Comments on the Draft Briefing on "The Geopolitics of Oil"

1. The Senior Review Panel has individually reviewed the OER draft briefing on "The Geopolitics of Oil." They have some comments to offer on the draft.

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a.. Assuming that OER's estimate of future oil supplies is correct, this paper is generally well-argued, indeed excellent.

b. There are some minor ways in which the paper could be strengthened, if you wished.

-- The estimate is extremely brief on the demand side (p 9). I understand that responses on the demand side are more difficult to estimate than the factors likely to determine supply. But more might be said about them.

-- In discussing the adverse impact of political and military instability in the Gulf area, it might be pointed out that, even in the absence of major conflagration, localized disturbances could add significantly to supply insufficiencies in the oil-importing countries.

-- I wonder whether some reference to balance-of-payment impacts should not be added, especially because revenues of the exporting countries might rise, as a result of increasing oil prices, even if oil exports to the West decline.

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-- The implications of slower economic growth (pp 19-20) might be put more strongly in terms of its impact on employment as well as consumption and resulting political unrest.

3. Ambassador Leonhart generally agrees with the above, and would add some additional points that the DCI might be prepared to address on request:

a. The current status/prospects emergency oil-sharing arrangements among major consuming nations.

b. The status of the stock-piling programs/efforts of major consumers.



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